

**Remarks of Rep. Henry A. Waxman
Ranking Member
Committee on Energy & Commerce
World Congress 6th Annual Leadership Summit
on Medicaid Managed Care
February 25, 2012**

Thank you for inviting me to speak to you today.
This conference could not be more timely.

We are ten months away from the beginning of
the transformation of health care in America.

The uncertainties from the election are over and
we have an Administration that is fully committed to
implementing health reform.

It is an extraordinary opportunity to put into place here in America the same right to health insurance coverage that citizens of every other developed nation already enjoy.

We need to make the most of the next four years.

With that in mind, I want to share with you some thoughts about the broader challenges being discussed in Congress as we move forward from here.

I'm going to focus on Medicaid and the Affordable Care Act coverage expansion because it is a major focus of the work that you all do.

ACA Implementation

In 2014, the health reform expansion will begin. Over the next 10 years, 12 million newly-eligible Americans are expected to qualify for Medicaid. And 27 million people who otherwise would have been uninsured will be covered.

Enrollment of millions of uninsured Americans in Medicaid and in the new Exchanges will be a challenge. We will need the help of the plans and the providers to make sure things go smoothly.

You will need to work closely with state Medicaid agency and Exchange officials to ensure that enrollment of eligible families and individuals in coverage is as seamless and problem-free as possible.

Your organizations can help inform communications campaigns about how to best reach and educate families about the coverage opportunities they will have.

Your experience can help inform the design of enrollment policies and procedures that maximize participation by eligible individuals and minimize the risk of high eligibility error rates or fraud.

But not all states view health reform as the golden opportunity it is to improve the health of their populations and their communities.

A total of 23 states have thus far elected to expand Medicaid – 17 under the leadership of Democratic governors and 6 under Republicans. Another 17 Republican governors have stated they will not expand Medicaid.

For some Governors and legislatures, there is evidently no circumstance under which they will take up the Medicaid expansion beginning in 2014. Their opposition may be ideological and irrational, but it is nonetheless unwavering.

Patients and providers with an interest in improving health in those states have their work cut out for them. I hope you will enlist in this fight to ensure all Americans benefit from these positive changes.

In other states, however, Governors and legislatures are moving forward with implementation of the Medicaid and coverage expansion. We will need your help in making it a success.

Program Integrity

As the health reform expansion gets underway, the federal government will finance the majority of it. And according to the Congressional Budget Office, payments to managed care plans in Medicaid will go from \$67 billion in 2012 to \$174 billion in 2023. This represents a dramatic increase in the federal government's investment in Medicaid and in a managed care as a care delivery method.

For this to succeed, we need the plans to be responsible partners. Plans will need to be more transparent, and will need to drive quality improvement, and be accountable for patient outcomes.

Federal taxpayers should—and will—insist on this and stronger oversight for their investment.

It has never been acceptable that less than 75 or 80 percent of Medicaid premiums are used by plans to pay providers for furnishing the care needed by Medicaid enrollees.

At the same time, the federal government has an obligation to ensure that Medicaid plans are paid fairly in relation to the insurance risk they are assuming. An investigation by the Government Accountability Office that Chairman Baucus and I requested clearly shows that we cannot have much confidence that Medicaid managed care plans are being paid rates that are in fact actuarially sound, as the law requires.

This has to change. We need to pay Medicaid managed care plans correctly—not too much, and not too little—so that they have the resources they need to efficiently deliver quality care to their enrollees through robust provider networks.

I know that you appreciate the importance of getting this right as we move toward 2014.

Dual Eligibles

While all of these exciting changes are occurring, we are also embarking on an effort to improve care for the dual eligibles. Care for this population has always been a challenge as patients have two programs – Medicare and Medicaid - to navigate, programs which at times have conflicting incentives and requirements.

I am supportive of this work that is already underway, and I am sure you are as well. Medicaid plans have a good deal to contribute to this effort. But given the vulnerable and frail nature of this population, we need to proceed with caution.

We need to ensure that networks are in place to adequately meet beneficiary needs. Some plans that will participate in these dual eligible projects do not have longstanding relationships with the community providers that will be essential for the care of this population. We need to be extra vigilant to protect access.

We also need to make sure we do not put the cart before the horse in terms of achieving savings from these new programs. Coordinated care may provide savings, but we do not want an unrealistic savings target driving these demonstrations. The first priority should be care improvement and coordination. The focus should be on the patient, not the bottom line.

For plans that do participate, they will need to be able to demonstrate what is being done to improve care and save costs – because after all, that is what we are trying to do here.

Deficit Reduction

While we are busy moving our health system forward, we also must be vigilant and protect against those who would take us backwards. Over the next few months Congress will debate the budget and deficit reduction. Here, we will see another round of assaults on both Medicaid and Medicare.

Under the guise of “entitlement reform” the Republicans will push forward an agenda that shows no thoughtful reform, but merely permanent structural changes that cap the federal Medicaid commitment to states and a vulnerable population, and undermine Medicare, by turning it into a voucher. None of this is good for beneficiaries. Nor is it good for our nation.

Per Capita Cap

At the root of these Republican proposals is not an effort to control costs in a thoughtful manner, but a blunt cost shift from the federal government on to the backs of states, providers, and patients.

A particularly pernicious type of cost shift is the per capita cap, a variation on the block grant, but just as dangerous.

Capping federal Medicaid spending has been the Holy Grail for Republicans since President Reagan and his OMB Director David Stockman nearly succeeded in enacting a Medicaid block grant in 1981.

In 1995, Newt Gingrich led a major legislative drive for a Medicaid block grant which was stopped only when President Clinton vetoed the legislation even though the veto resulted in the temporary closure of the federal government.

And in the 112th Congress, the House Republicans, under the leadership of Budget Committee Chair Paul Ryan, twice passed legislation calling for the enactment of a Medicaid block grant along with massive cuts in the level of federal Medicaid spending.

The Republicans know that President Obama will not sign a block grant into law. So they are now proposing to impose a “per capita cap” on federal Medicaid spending in each state. Senator Hatch ranking member on the Senate Finance Committee has suggested exactly this.

Don’t be fooled. Conceptually, a per capita cap is only marginally less dangerous than a block grant. Under both, each state gets a fixed amount of federal Medicaid matching funds each year. The federal government shares costs with each state, but only up to the amount of the cap. 100% of costs above that amount are borne by the states or passed on to the counties.

For states that spend less than average on Medicaid, program caps may lock them in to that level. For states that have higher than average spending, perhaps because of more generous benefits or provider payments, they may see a drop in federal support.

The amount of the cap is set to save the federal government money. So the states, by definition, will not have enough resources to meet the health and long-term care needs of their residents.

Once locked in to these arbitrary cuts, States will no longer be able to get help from the federal government in raising their Medicaid payment rates to providers, improving the benefits they cover in order to increase access to needed services, or invest in improvements in the program to maintain a high quality of care.

The greater the federal savings, the fewer resources the states will have to address the health challenges they face. States may also be able to cap their financial commitment compounding the problem for providers and beneficiaries.

A radical change such as a per capita cap would create great uncertainty for state policymakers as they decide whether to take up the ACA's Medicaid expansion, severely undercutting this effort.

Conclusion

The outcome of the “deficit reduction” discussions and success of the ACA implementation will determine the health of your clients and the communities in which they live for the next decade and beyond – and will have a direct effect on the health of your businesses.

Members of Congress need to hear loud and clear about why they need to protect their state Medicaid programs and why it is good, common sense to move forward with the ACA.

More than ever, as we move into 2014, we need to protect the Medicaid program from harmful changes.

This is an exciting time. We have a few short months to do a great deal of work that will provide significant benefit to Americans and America's health. I hope that we can count on you all to be a part of moving our nation forward on this path.